

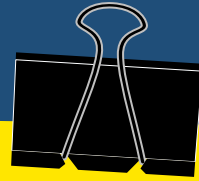
The background of the slide is a blurred image of three business professionals in a modern office setting. Two men in suits are standing and talking, while a woman in a business suit stands between them. The office has large windows and a computer monitor is visible on the right.

Week 03

Capsule – B: Management & Leadership

The foreground of the slide shows a close-up of a desk with several business documents. There are two bar charts with colorful bars (blue, green, red, purple) and a pie chart. A silver pen is lying on one of the documents. A book is visible in the background.

Instructor – Maria Mohsin



Unit # 3:

The Management Challenge

Global Environment

The International Business Environment

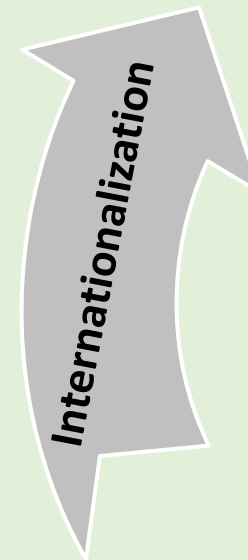
*The process by which people and goods move easily across borders => **Globalization***

“International Management is the management of business operations conducted in more than one country.”

Basic management functions remain the same, but with greater risks and difficulties.

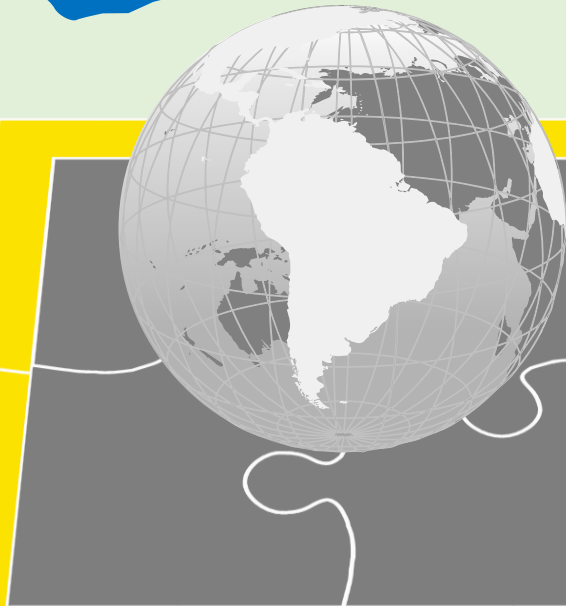
Companies that think globally have a competitive edge!

Domestic markets become saturated for many companies with time



Getting Started Internationally

SMEs have a couple of ways to become involved internationally. The steps adopted are known as market entry strategy



Market Entry Strategy

Outsourcing

Exporting

Licensing /
Franchising

Direct Investing

Stages of Globalization

	Domestic	International	Multinational	Global
<u>Strategic Orientation</u>	Domestically Oriented	Export oriented, multi-domestic	Multinational	Global
<u>Stage of Development</u>	Initial foreign investment	Competitive positioning	Explosion of international operations	Global
<u>Cultural Sensitivity</u>	Of little importance	Very important	Somewhat important	Critically important
<u>Manager Assumptions</u>	One best way	Many good ways	The least cost way	Many good ways

Key Factors in International Environment



Economic Environment

“The economic environment represents the economic conditions in the country where the international organization operates.”

- Economic development
- Infrastructure
- Resource and product markets
- Exchange rates
- Inflation
- Interest rates
- Economic growth

Economic Development – Economic Environment

- ❖ Economic Development: Countries are categorized as either developed or developing (Less-developed/ LDCs) based on per capita income.
- ❖ Per capita income is the income generated by the nation's production of goods and services divided by total population.

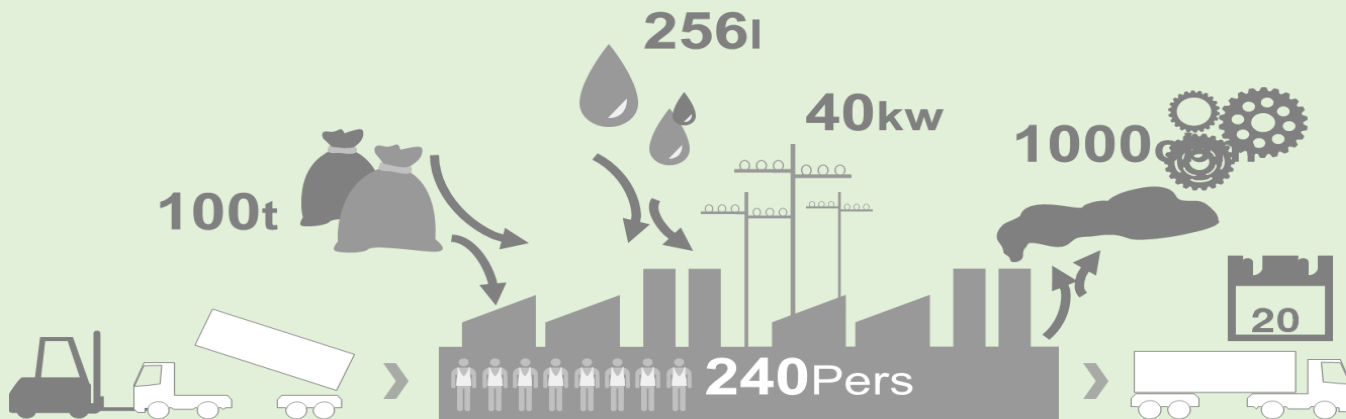
Infrastructure – Economic Environment

- ❖ A country's physical facilities that support economic activities.
 - Transportation facilities
 - Energy producing facilities
 - Communication facilities
- ❖ Helping countries develop their infrastructure often falls on the shoulders of international agencies (e.g. World Bank, Asian Development Bank, UNO).



Resource & Product Markets – Economic Environment

- ❖ Market analysis is required to identify the market demand for the products.
- ❖ Choice between exporting product or building a plant.
- ❖ What would be required to develop a plant?



Exchange Rates – Economic Environment

- ❖ Exchange rate is the rate at which one country's currency is exchanged for another country's.
- ❖ Changes in rates affects profitability, as dollars get converted into foreign currencies.



Legal – Political Environment

- ❖ ***Businesses must deal with unfamiliar political systems when they go international as well as*** Government supervision and regulation; as foreign companies are viewed with suspicion as ‘outsiders’.
- ❖ Some major legal-political concerns affecting international business are;
 - Political risk
 - Political instability
 - Laws and regulations

- ❖ **Political risk is defined as the risk of lost assets, earning power, or managerial control due to politically based events or actions by host governments.**
- ❖ **Political instability includes events like riots, revolutions, civil disorders, and frequent changes in government.**

Laws & Regulations — Legal–Political Environment

- ❖ **Laws and regulations differ from country to country, creating a challenge for international firms.**
- ❖ **Laws concern libel statutes, consumer protection, information and labelling, employment and safety, wages, etc.**
- ❖ **Most visible changes grow out of international trade agreements and emerging international trade alliance system.**

Laws & Regulations — Legal–Political Environment

General Agreement on Tariffs and Trade (GATT)

- 23 nations in 1947, a set of rules for fair trade

World Trade Organization (WTO)

- Maturation of GATT into permanent global institute

European Union (EU)

- 1957 alliance to improve economic and social conditions among members; evolved to 27-nation European Union

North American Free Trade Agreement (NAFTA)

- Merged the US, Canada and Mexico into a single market

Socio – Cultural Environment

Cultural factors are more perplexing than political and economic factors in foreign countries; as it is intangible, pervasive and difficult to learn.

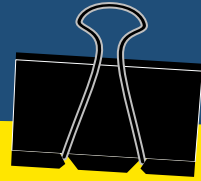
Geert Hofstede's four dimensions:

- ❖ **Power distance:** The degree to which people accept inequality of power among institutions, organizations, and people/
- ❖ **Uncertainty avoidance:** value characterized by people's intolerance of uncertainty and ambiguity and resulting in support for beliefs that promise certainty and uniformity.
- ❖ **Individualism & Collectivism:** preference for loosely knit social framework where individuals are expected to take care of themselves, versus tightly knit social framework where individuals look after one another and organizations protect their member's interests.
- ❖ **Masculinity/femininity:** cultural preference for heroism, assertiveness, work centrality and material success versus cultural preference for cooperation, group decision making, and quality of life.
- ❖ **Long term/Short term:** greater concern for the future and high value on thrift and perseverance versus concern with past and present and a high value on making social obligations

Other Cultural Characteristics

- Language
- Religion
- Attitudes
- Social organization
- Education

Ethnocentrism, a cultural attitude marked by the tendency to regard one's own culture as superior to others, can make it difficult for foreign countries to operate.



The End